

Message Text

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PAGE 01 VALLET 01101 281435Z
ACTION EB-08

INFO OCT-01 EUR-12 ISO-00 L-03 CIAE-00 INR-10 NSAE-00
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FM AMEMBASSY VALLETTA
TO SECSTATE WASHDC 8144
INFO AMEMBASSY LONDON

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E.O. 11652: N/A, DB CONTROL 1-1-80
TAGS: EINV, BDIS, ENRG, MT
SUBJ: ESSO CASE/THREAT OF LEGAL ACTION BY MID-MED BANK

REF: AMEMBASSY VALLETTA MEMO OF 3/14/78 (NOTAL)

1. LOCAL MANAGER OF MID-MED BANK HAS INFORMALLY NOTIFIED US THAT J.B. ROOT, VICE-PRESIDENT OF ESSO AFRICA, INC. IN LONDON, TOLD HIM DURING APRIL 26 TELEPHONE CONVERSATION THAT ESSO DOES NOT INTEND TO PAY OFF AN OVERDRAFT (LOAN) FROM MID-MED BANK WHICH WAS OBTAINED SEVERAL YEARS AGO FOR ESSO AFRICA'S AFFILIATE, ESSO STANDARD (MALTA) LIMITED. OVERDRAFT, WHICH HAD PREVIOUSLY BEEN ROLED OVER PERIODICALLY, IS FOR APPROXIMATELY DOLS 275,000.

2. MID-MED MANAGER FURTHER ADVISED EMBASSY THAT HE WILL SEND A LETTER TO ROOT, FORMALLY NOTIFYING HIM THAT FAILURE TO REPAY THE OVERDRAFT WOULD FORCE MID-MED TO INSTITUTE LEGAL PROCEEDINGS LOCALLY TO ATTACH ESSO'S REMAINING ASSETS IN MALTA. SUCH ASSETS ARE REPORTEDLY WORTH ABOUT DOLS 257,000. IF ESSO STILL REFUSES TO PAY, MID-MED WILL THEN TAKE ESSO TO COURT.

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3. COMMENT - AS REPORTED IN REF, ESSO IS FACING A NUMBER OF UNDESIRABLE ALTERNATIVES IN ITS EFFORTS TO DISPOSE OF ITS REMAINING ASSETS IN MALTA. WITH THE PROSPECT OF RECEIVING ONLY LITTLE MORE THAN SCRAP VALUE FOR ITS TWO MARINE TERMINALS IN MALTA, THE COMPANY APPARENTLY PREFERS TO RISK HAVING ITS ASSETS IN MALTA ATTACHED RATHER THAN PAY THE OVERDRAFT AND RETAIN THESE

ASSETS. WHAT IS NOT CLEAR IS WHETHER ESSO TANKERS BROUGHT TO MALTA FOR REPAIR AT THE MALTA DRYDOCKS MIGHT ALSO BE SUBJECT TO ATTACHMENT.

4. THIS IS OBVIOUSLY NOT A HAPPY DEVELOPMENT. ESSO'S RELATIONS WITH THE GOM HAVE BEEN STRAINED FOR SEVERAL YEARS AND ITS CURRENT STATUS IN MALTA IS HIGHLY COMPLICATED PRIMARILY BECAUSE OF STEPS TAKEN BY THE GOM WHICH, WHILE NOT OF AN EXPROPRIATORY NATURE, HAVE MADE IT IMPOSSIBLE FOR ESSO TO OPERATE IN MALTA OR DISPOSE OF ITS ASSETS AT BOOK VALUE. CONSEQUENTLY, THE POTENTIAL FOR MUTUAL RECRIMINATIONS EXISTS AND THESE RECRIMINATIONS COULD BECOME SERIOUS IF THE CASE GOES TO COURT. THIS COULD, IN TURN DAMAGE MALTA'S IMAGE IN THE US BUSINESS COMMUNITY. WE SEE NO ROLE FOR THE USG, AT LEAST FOR THE TIME BEING, EXCEPT TO WATCH AND WAIT. LAINGEN

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